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ABSTRACT

Prepared by the Texas State Library staff as guidance for future legislative action to amend the current library systems act, this paper provides an overview of the governance of library systems, a description of the current governance of the Texas Library System, and a summary of positive and negative aspects of the different structures. Cost considerations are included. (RAA)

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GOVERNANCE MODEL ALTERNATIVES FOR ORGANIZING LIBRARY SYSTEMS

by

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Austin, Texas
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COMMENTARY

Man is intent on drawing himself into a web of collectivized patterns. "Modern man has learned to accommodate himself to a world increasingly organized. The trend toward evermore explicit and consciously drawn relationships is profound and sweeping; it is marked by depth no less than by extension." This comment by Seidenberg nicely summarizes the pervasive influence of organization in many forms of human activity.

-William G. Scott

The cooperative library system is the modern version of the larger unit library. The earlier form was the county or multi-county library, to which we gave a generation of effort, only to realize after building a thousand county libraries that this was really not what was meant by modern library service. We had to learn the hard way that the combination of weak agencies into a unit serving a larger piece of territory did not make for effective service. It took twenty-five years to learn this lesson. The experience should make us less than confident that we have since found revealed truth.

Now, rather than building up county or multi-county libraries, the approach it through the system--meaning by this a coordinating structure of some kind, retention of local autonomy, voluntary participation, flexibility of territory, and selectivity of projects. The individual library needs to do very little to become a member of a system, and must continue to partake of very little in order to remain in the fold. The present-day library system is most permissive. This is at once its strength and its weakness.

-Lowell Martin

Although at first blush the following may seem a simplistic syllogism, a network governance and organization should ideally serve the purposes and goals of its library network. Those purposes and goals generally will vary as widely as the ingenuity and perception of human beings allow. The ideal library network organization and governance will meet the aspirations of the network organizers but must, at the same time, be able to cope successfully with problems which all libraries are facing.

-Huntington Carlile

Seen in this light, we can more objectively consider questions about these new systems. They call for relatively little commitment on the part of local libraries. Library systems only slowly develop a sense of widespread identification that would hold them together in time of stress. Until then they are more like dispensers of aid to underdeveloped countries, and those who receive are not always as grateful as the giver would wish. The first test comes two or three years after systems are formed, when promise has become reality, and some libraries feel disappointed. Another test comes when the largest and strongest units in the enterprise assess what they get out of the system program as compared with what they could get on their own with their share of the system funds. We are dealing with a tenuous structure, held together not so much by mutual benefit and common sacrifice as by persuasion, gifts and a call to remote professional standards. Under the circumstances the systems directors would do well not to be too concerned about job security.

-Lowell Martin

As you build [oganizations] higher, do not neglect the foundation. Indeed, the purpose in the end is not a fancy super-structure but greater strength where resources and people meet.

-Lowell Martin

Section 1.1 INTRODUCTION

The purpose of this report is to provide (1) an overview of the governance of library systems, (2) a description of the current governance structure of the Texas Library System, (3) descriptions of other governance structures, and (4) a summary of positive and negative aspects of the different structures.

This study was prepared by Texas State Library staff at the request of the Library Systems Act Study Committee. The Committee plans to issue a set of recommendations to the Texas State Library and Archives Commission regarding the need for amending the Library Systems Act.

This interim report has been prepared with the advice and assistance of only Library Development Division employees, published reports, journal articles and personal contacts. Although no claim of total objectivity is made, every effort has been made to present all issues objectively.

The State Library would like to invite any interested person to contribute to this report. Those who wish to indentify additional governmental structures, benefits or drawbacks should submit their comments to the Texas State Library by December 15, 1981. This report has been divided into numbered sections; those commenting should relate their remarks to specific sections. The final report, to be issued in early 1982, will compile all the comments and suggestions submitted. In this way the report will be organic, growing with the input of the library community.

Section 1.2 Introduction to Organizational Governance

It is first important to understand what is meant by "governance." The distinction between management and governance must be made. Montgomery and Dowlin point out that management concerns itself with the operational decisions which must be made to achieve the organization's goals and objectives. Governance, on the other hand, is the structure which defines the relationship of the various participants; that is, it defines how those using and running an organization can express their power and desires. The governance structure is used to establish the organization's goals and objectives and to set the policies by which these goals and objectives are to be achieved. The basic definition of the organization, its legal existence, and its continuity of purpose are included in the governance function.

Section 2.1 **GOVERNANCE MODELS**

Charles H. Stevens has outlined three models of governance:

1) governance by government
2) governance under a quasi-governmental body
3) governance by the membership under a legal charter and bylaws;

in addition to these, a fourth possibility which could be used in a state wide program is:

4) multifaceted governance using a mixture of structures.

This report shall briefly define and analyze each of these approaches. Because of the nature of some of these structures, they could be considered in more than one category.

Section 2.2 Governance by Government

For most activities which the government wishes to accomplish the common approach is either to establish a governmental agency or to assign the function to an existing government unit.

When the Texas Legislature established library systems they assigned the responsibilities to two government entities, the State Library and City governments. An alternative method would have been to establish field offices of the State Library throughout the state. These two techniques will be examined below.

Section 2.3 Under current law, Texas public library systems operate with the following characteristics:

1) contracting: funds for the operation of the ten systems are transferred by a formal, written contract; the State Library contracts with the ten cities to administer and operate the systems; thus, the city itself, not the city library, is the actual subcontractor, although the city usually delegates authority to manage the system to the director of the Major Resource Center (MRC) Library;

2) administration: because the city is the contracting agency, the city librarian is both the director of the MRC and the director of the system itself;

3) staffing: the coordinator and all other system staff are employees of the city, being paid with grant funds; hiring, dismissal, compensation and job performance review are conducted under city personnel policies by the MRC administrative staff;

4) funding: the amount of money received by each system is determined by a formula in the Library Systems Act; each system receives an equal share of 25 percent of the total amount, with the remaining 75 percent being divided on a per capita population basis;

5) boundaries: the geographic boundaries of the systems are established by the State Library and Archives Commission; these boundaries must follow the boundaries of the regional councils of government, except in special cases where variance is granted by the Governor;

6) fiscal matters: because the city is the contracting agent, all funds pass through the city's finance system;

7) advisory council: the law establishes a six member advisory council to make program and policy recommendations, to review budgets and budget amendments, and to review and comment on the annual plans of service and the long range plans; it is composed of local public library representatives who have been elected to the board by other representatives; the MRC always has one of its representatives serving on the board; although it is advisory in nature, the Commission has strengthened the councils' powers and enlarged its responsibilities through the System Rules and Regulations;

8) membership participation: committees of librarians from member libraries have been formed to assist the system staff in developing programs, policies and procedures; these committees are established under the system bylaws, and not the Act or state rules;

9) state review and approval: the State Library prepares the guidelines under which the annual budgets and plans of service must be prepared; the State Library and Archives Commission has the authority to reject a system's plan of service.

Section 2.4 The current organizational structure has some benefits and drawbacks. The benefits include:

1) contracting with city governments: cities have established policies and procedures which can be used to administer the system efficiently;

2) strong foundation: those who drafted the Library Systems Act believed that it was important that the systems be based in the strongest local library; in this way, the wealth of library materials, the experience of the city librarian, and the expertise of the library staff could be easily shared with the system members;

3) avoiding duplication: by using the MRC as the system headquarters, a certain amount of duplication can be avoided; thus, professional books and journals, selection tools, audiovisuals, and other materials and services necessary to operating a library can be shared;

4) economies of scale: vendors can give larger discounts if the purchasing power of the MRC is combined with the system spending.

Section 2.5 The drawbacks of the current organization include:

1) there is a potential conflict of interest in the MRC director serving as the director of the library system;

2) system coordinators and their staff must answer to numerous "bosses"; although the MRC director is the coordinator's direct supervisor, the coordinator must also be accountable to the State Library, the system advisory council, the system member librarians, and the LSA Advisory Board;

3) any city may refuse to accept the system contract if it does not find the terms acceptable; although some MRC directors have indicated that they would recommend this action to their city, to date no contracts have been refused; if this were to happen, it would be very difficult and cumbersome to reconstruct certain systems because of the geographic and population characteristics;

4) although "piggybacking" on the city financial and personnel systems is a benefit, it can also give rise to difficulty: city wage scale may be too low to attract the skills and experience desired for system staff; or, system staff may be constrained by tight travel restrictions, thus impeding their duties; or, city purchasing procedures may not be flexible enough to accommodate a system service which buys equipment for the other member cities;

5) communication and decision making have been identified in other studies as problem areas; who is in charge, how are recommendations given and received, what are the roles of the various interest groups--these are questions that continually arise;

6) with the high level of involvement by a number of interest groups, it is difficult to evaluate the effectiveness and efficiency of systems on a statewide basis.

Section 2.6 Library Systems could also be organized as direct extensions of the State Library. Field offices could be established in appropriate cities; personnel would be employed and supervised directly by the agency. Advisory committees of local librarians would be formed to provide input and advice on matters of program and policy. Services would be offered in much the same way that they are currently. A substantial revision of the Library Systems Act would be necessary to organize and operate this type of system.

Section 2.7 The benefits of this model include:

1) economies of scale: centralized under the State Library, the programs could be coordinated to obtain larger discounts on films, books, equipment and supplies;

2) resource sharing: libraries and their patrons could better access the materials purchased in other systems through increased inter-system cooperation;

3) standardization: consistent administrative policies and operational procedures would be established to streamline the service programs;

4) equalization: with a statewide perspective, system services could be better equalized throughout the state;

5) non-contractual: since funds would remain in the State Library's budget rather than being distributed as contracts, there would be no opportunity for a MRC to refuse to accept a contract and thereby destabilize the entire Texas Library System;

6) state affiliation: being a part of state government, the systems could utilize established personnel practices, salary schedules, bidding procedures, and financial systems;

7) evaluation: the greater consistency and control which this model allows would increase the ability to monitor and evaluate the services and programs.

Section 2.8 The drawbacks of this model include:

1) communication: although the lines of communication would be more direct than they are currently, experience shows that it is frequently difficult to maintain good communication between a headquarters and its field offices;

2) supervision: as with the communication problems, this structure raises problems in the area of personnel;

3) cost: although the cost of administering this type of organization should not be higher than that for an independent system structure, it would be higher than the current structure; without the use of space in the MRC, rent and utilities would have to be budgeted; substantially increased costs at the State Library headquarters could also be expected; costs would increase in the Business Office, Personnel Office, Technical Services, Library Development and a number of the support services areas; additional space could be necessary to operate the program;

4) regional autonomy: while there may be some variations in the types of services offered in the different systems, under a more standardized arrangement, the variety would not be as great as it is currently;

5) membership participation: the role of system members in setting policy, determining programs and reviewing proposals may increase or decrease, depending on the amount of current involvement; with more control vested in the State Library, some system members may experience a reduced level of involvement; the role of staff in decision making and policy setting would probably increase;

6) state affiliation: while the incorporation of state policies and procedures may be a benefit in some areas, it will be perceived as a drawback in others; with the benefits of standardization and centralization comes a relative inflexibility to handle unique or specialized problems; for example, there are a number of problems involved in purchasing periodical subscriptions through the state bidding system;

7) lobbying: although there are currently restrictions on the use of grant funds and personnel to influence state legislation, appropriation and regulation, as State Library employees, these efforts would be more restricted;

8) governmental trends: in the current political milieu, the centralization of functions, the hiring of more employees, and increasing control and involvement by state agencies are ideas which run counter to the trend;

9) to operate the Interlibrary Loan Program, two options would be available: a) to continue subcontracting with the MRCs or other resource libraries, or b) to build a resource collection of books capable of meeting the requests;

10) any problem with the management of the program at the State Library would be magnified throughout the organizational structure; because each system is basically isolated from each other currently, a problem in one does not usually affect the others.

Section 3.1 **QUASI-GOVERNMENTAL GOVERNANCE**

In the field of public management, quasi-governmental organizations are increasing in rapid numbers. Included in this category are a myriad of organizations including districts, authorities and compacts. Some of the key characteristics of these types of organizations are:

1) they are established under state or federal law
2) each has a governing board of directors
3) some have the authority to tax local residents
4) local governments can participate by a voluntary contract
5) membership fees, taxes, or service revenues are the major sources of funding
6) some are closely affiliated with a branch of state government, although not subject to direct control.

Some examples which exists under Texas law are: hospital districts, mosquito control districts, Education Service Centers (ESCs), regional councils of governments (COGs) and Community Mental Health and Mental Retardation Centers (CMHMRCs). These last three bear some inspection as potential models for library systems.

Section 3.2 To provide an overview of these three organizations and to examine how this structure might relate to library system organization, the following should be considered:

1) regional service area: each of these organizations serves an area at least the size of a county. ESCs and COGs have defined boundaries, and these service areas blanket the entire state. CMHMRCs operate within self-defined boundaries which are subject to change as membership increases or decreases.

2) governing boards: each of these organizations is governed by a board of directors. The board is responsible for setting policy, employing the administrator, reviewing organizational finances and determining the services offered. The number of board members, the term of office and the method of appointment vary among the different organizations. In the case of COGs, at least two-thirds of the board must be local elected officials. For CMHMRCs local elected officials can serve as the board or they may select local citizens to serve; when two or more local governments sponsor a Center, the selection of the board members can be done on a geographic basis, but the candidates must be jointly appointed.

3) membership: each of these organizations is composed of units of local government. The governing body of the local city, county, hospital district, or school district must agree to join the organization.

4) funding: the amount of service charges and membership fees collected is an important component in the budgets of these organizations. While each of the three receives some basic funding from the state, each organization requires members and clients to pay fees for the services it wishes or to pay for membership privileges. Although some special districts can raise funds by taxing local residents, none of these three organizations have that power.

5) services: these organizations are designed to provide certain services to their members. While certain services are mandated by the state, the local organizations are encouraged to develop other services to meet the members' needs.

Section 3.3 The similarities and differences between the current library systems and these quasi-governmental organizations can be outlined as:

1) systems have defined boundaries and cover the entire state; these geographic areas are, however, substantially larger than the other regional organizations;

2) systems are governed by the MRC director with the advice of a lay advisory board; thus, the ultimate governing authority is the city council of the headquarters city;

3) membership is composed of public libraries operated by non-profit organizations, as well as those which are operated by cities or counties;

4) funding for system operations is generally provided by state and federal grants; while some administrative costs are borne by all member libraries, especially the MRC, grants provide the greatest source of funds; no membership fees are levied; no service charges are imposed although they are permissable and have been collected in the past; thus, systems are primarily a conduit for grants-in-aid to local communities rather than being an organized partnership between the state and the local government to provide services to the local area.

5) while a few of the system services are mandated, most service programs have been designed to meet local needs.

In other states, library systems are often organized as quasi-governmental organizations, established in state law. California, Colorado and Illinois library systems are independent sub-units of state government which are controlled by member libraries and governed by a governing board.

Section 3.4 Structuring library systems as quasi-governmental agencies has some benefits and drawbacks. The benefits include:

1) Self management: the governing board would administer the system in accordance with the state's regulations and the system bylaws;

2) conflict of interest: the system director would no longer be the director of the MRC, thus, this potential conflict of interest would be eliminated;

3) personnel: The board of directors could employ or dismiss system staff as necessary;

4) state affiliation: created by state law, the systems could benefit from the state's administrative procedures (e.g., purchasing under the state contract, receiving professional services from the Attorney General and the State Auditor, etc.);

5) membership: establishing this type of organization could permit the inclusion of academic, school, and special libraries.

Section 3.5 The drawbacks include:

1) fiscal accountability: under the current structure, the checks and balances in financial system of the contracting city insure that grant funds will be properly accounted for; as organizations become more and more independent of established governments, it is customary for fiscal accountability to be problematic;

2) cost: it appears that it would be more expensive to administer a system office if it were separated from the MRC; see Section 6 "Cost Considerations of a Non-MRC Based System";

3) conflict of interest: a new problem could arise if the board of directors were not careful to avoid possible conflicts of interest; the board or its members could be brought to court if they appeared to act in their own self interest;

4) staff - board relations: there are numerous cases in which boards of directors meddled in the operational affairs of the organization; there are similar instances in which the staff controlled the board's policy making;

5) state affiliation: in addition to the benefits from being a sub-unit of state government, there are some drawbacks, for example, the bidding procedures, personnel practices and the Open Meetings Act.

Section 4.1 **GOVERNANCE BY MEMBERSHIP**

There are numerous examples in the field of public administration where, to accomplish certain objectives, the state or local government will contract with a nongovernmental organization to provide services. Although there are instances where the contracts have been with for-profit entities, the more common approach in the education and social service fields is that the contractor is a non-profit association. Thus, a state rehabilitation commission may contract with the Salvation Army or Goodwill to provide job training and placement.

Local library service in a number of Texas communities is offered to the public by a non-profit organization. The city and/or county has the authority to provide funds to these libraries in return for the free use of the library by local residents.

Section 4.2 The characteristics of a library system which is organized as a membership organization include:

1) bylaws: the bylaws of the organization would state the entity's purpose and the principles and procedures which govern it;

2) board of directors: the governing board, as established in the charter and bylaws, would hold primary responsibility for policy setting and decision making;

3) membership: the bylaws would declare what types of libraries could participate in the association;

4) the role of membership involvement and participation would vary, as outlined in the bylaws;

5) funding: in addition to grants from the State Library, the organizations could assess membership fees or service charges on those libraries participating.

Section 4.3 The benefits of membership organizations include:

1) self governance by the board of directors;

2) a high degree of autonomy in setting policies; establishing programs and handling fiscal matters;

3) membership criteria could be determined by the libraries in the region to meet the particular characteristics of that area;

4) membership could be open to all types of libraries;

5) more than one association could be created in a region, giving the State Library the ability to choose the subcontractors; under the current structure the MRC is almost a "sole-source" supplier;

6) membership fees and service charges could provide additional revenue sources; this broader base of fiscal support would provide greater stability to the organization;

7) membership fees and service charges also serve to strengthen the commitment of the membership to the organization; those organizations which require its members to make a monetary contribution often has a higher degree of membership interest and dedication than those which can be joined without cost.

Section 4.4 The drawbacks of membership organizations include those outlined below. In addition, some of the problems identified in Section 6 would also apply here.

1) accountability in both fiscal and program areas is often a problem in associations; without an outside agency conducting an ongoing review, there is a risk that fiscal mismanagement or service irregularities could occur;

2) the fees and charges imposed may make membership undesirable for some libraries; the base of membership would not be as broad;

3) conflict of interest problems could arise if the board members appeared to act in their own self-interest;

4) as a voluntary membership organization, there are problems when, for whatever reason, the group seeks to exert coercive power on some of the participants; thus, while the entity may claim certain powers, they may not be able to exercise these powers effectively;

5) cost: as outlined in Section 6, costs could be expected to increase in a non-MRC based system;

6) because these organizations can establish their own purposes, policies and programs, there could be situations in which the organization goals would be at odds with the statewide goals for library development; reconciling these differences with an independent organization would be difficult.

Section 5.1 **MULTIFACETED GOVERNANCE**

The final option that will be discussed by this report is to allow the different library systems in Texas to choose the governance model which best fits their needs and characteristics. Thus, one system could choose to retain the current structure while another system opted to form a non-profit membership organization.

Section 5.2 Under this approach, a few other types of systems might evolve:

1) an existing non-library organization, such as a regional council of governments, could administer the library system;

2) a large city, such as Houston or San Antonio, could be designated as a system itself; for example, the Chicago Public Library is both a city library and a library system;

3) one system could assign the operation of different service programs to different libraries in the area; thus, one library would handle the film program, another would handle the Books-by-Mail, and a third would sponsor the workshops.

Section 5.3 The benefits of having different types of systems across the state include:

1) regional autonomy: the structure that works best for each region could be designed by the participants;

2) flexibility: if one structure failed to meet a region's needs, it could be redesigned without changing the statute;

3) innovation: the wisdom gained from experimenting with different organizational formats could be shared with others;

4) expertise: the local strengths could be identified and the structure organized to take advantage of the benefits they offer regardless of where they are located.

Section 5.4 The drawbacks of having different organizational structures in different systems include:

1) until some stability and experience were attained in operating a wide range of structures, the service programs offered to the libraries could suffer;

2) it could be difficult to obtain the statutory authority for this since such an arrangement is not common in state government; thus, the risks would be perceived as high;

3) from the state's point of view, administration of such a variety of programs would be difficult and costly;

4) performance evaluation would be hindered by the lack of consistency among the system programs;

5) some areas of the state, especially those with low population density and limited library resources, could be abandoned by the Urban areas.

Section 6 COST CONSIDERATIONS OF A NON-MRC BASED SYSTEM

When considering the costs of a MRC-based system with those in an independent system, the following expenses should be considered. The discussion of each item attempts to identify the factors which may influence the amount of cost. In many cases it is not possible to even estimate the cost because of a lack of information, specifics, and consistency among the current systems' methods of operation.

Office Space

Information on rental cost was obtained from a commercial leasing agent for the Austin market in October 1981. The agent was told that a downtown location was not desired, although a location with easy access for out-of-town visitors was desired. The range for northwest Austin rates was $10.80 to $13.00 per square foot per year. In south Austin, the annual rates ranged from $9.60 to $12.00. Because of the lower cost and

convenient access to the interstate highway, it was assumed that a south Austin location would be chosen. The average annual rate was estimated at $10.80 per square foot. This rate includes utilities, janitorial service, and building security.

Square Footage	Annual Rent
2,000	$ 21,600
3,000	32,400
4,000	43,200

Insurance

Because of the way commercial insurance on building contents is calculated, it was not possible to obtain any estimate of its cost. To determine the cost, an insurance adjuster must examine the specific premises, inventory the contents and use a state insurance rating for that particular building. Thus, when speaking hypothetically to insurance agents, they would not even provide a "ball park" cost estimate.

Accounting/Bookkeeping Services

To replace the fiscal services provided by the MRC, each office would have two options: hire a business manager, or contract with an accounting firm. In this study, it will be assumed that the system office would hire a business manager and secretary. They would be responsible for the bookkeeping, fiscal management and purchases involved in the system program. In those systems where an acquisition clerk is already on the payroll to handle the paperwork on book and audiovisual purchases, there may not be sufficient need to hire an additional secretary. The salary of a business manager can be estimated at $20,000 plus $4,000 for fringe benefits. The secretarial salary is estimated at $12,000 plus $2,400 fringe.

Legal Service

It is not possible to estimate the cost of retaining a legal counselor because of the variability of the services which might be desired, the rates charged by different attorneys, and the nature of the system's legal entity. Although these services are currently provided by the cities' legal departments, the nature of the present structure probably does not require much complex technical assistance. The more independent the governing structure, the more legal expenses could be expected to increase.

Employee Salaries

Because system staff is currently locked into the MRC pay structure, there appear to be a number of systems in which the salary levels are depressed. If established as an independent organization, it might be assumed that employee compensation would be increased because the level of responsibility was increased.

Travel Expenses

As with salaries, systems currently adhere to the city's travel policies and reimbursement rate schedule generally. Since some of these cities appear to have fairly restrictive policies and low rates, it can be anticipated that an independent system would increase these. In some systems serious interest has been expressed in purchasing an automobile for travel use and a van for delivery purposes. The likelihood of these types of vehicle purchases may increase in an independent system.

Furnishings, Equipment and Supplies

While some systems have purchased all their own office furniture and equipment, others have used items such as shelves, desks, typewriters and book trucks belonging to the MRC. If established as a separate office, it should be expected that some capital purchases would need to be made to furnish it. In addition, some systems would be required to purchase selection, reference and professional publications since these systems use the ones in the MRC.

Purchasing Discounts

Currently, many systems are able to obtain substantial discounts when purchasing books and audiovisuals because the jobbers will base the discounts on both the system purchases and those of the MRC. In an independent system, jobbers may compute the discounts separately. Without the MRC's purchasing power, the system may not obtain as favorable a discount.

Auditing

In most systems, the annual audit is budgeted directly from grant funds; however, because the current audits involve the review and testing of the cities' financial system, the proportion of this review paid for by grant funds varies. Generally, audit costs will vary depending on which firm is hired, the firm's familiarity with the organization and its programs, the complexity of the financial system, and the depth of reporting required. While audit costs could decline in one or two systems, most would increase, especially with the first year of operation.

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